

U.S. Controls - (K.A)

Approved For Release 2004/03/02 : CIA-RDP64-00014A000100120020-7

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NO.

April 16, 1957

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SUBJECT: Policy Information Statement (E-61)

"China Trade Controls"

(Supplants Policy Information Statement E-58 of Dec. 31, 1956)

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Enclosure:

Policy Information Statement
E-61.

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REFERENCES:

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Policy Information Statement
(E-61)

April 16, 1957

CHINA TRADE CONTROLS

(Supplants Policy Information Statement E-58 of Dec. 31, 1956)

SUMMARY. (CONFIDENTIAL) Although the U.S. is not changing its policy of favoring stronger controls on free-world trade with Communist China than on trade with the European Soviet bloc, we are preparing to modify the implementation of that policy. This will probably lead to some reductions in the multilateral China embargo list. Discussions with our allies have begun. Our new position has not been publicly defined, though it has become known that some policy change is under very active consideration. It is important to bear in mind that U.S. basic policies on security trade controls have not changed, and that the U.S. is not planning to change its own total embargo on trade with Communist China. (NOTE: For purposes of the trade control system, North Korea and North Vietnam are treated the same as Communist China.)

* * *

I. BACKGROUND

(UNCLASSIFIED) 1. Fifteen governments informally coordinate their security trade controls at Paris in the Coordinating Committee (COCOM) and the China Committee (CHINCOM). These are working committees, subordinate to the ministerial-level Consultative Group (CG). The 15 countries are the NATO countries minus Iceland, plus Japan.

2. During the Korean War the embargo list for Communist China was considerably expanded over that for the European Soviet bloc. Then, in August 1954, a substantial reduction was made in the number of items agreed for embargo to the ~~European~~ Soviet bloc in Europe. No changes were made in the controls over trade with Communist China; thus the existing differential between the COCOM controls and the CHINCOM controls was widened at that time.

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3. The U.K., Japan, and certain other countries have been increasingly anxious to reduce the China controls to the same basis as the COCOM controls. The U.S., which itself permits no trade at all with Communist China, has been unwilling to see any reduction in international economic and political pressures on the Chinese Communists, who, as flagrant aggressors, have not earned a respectable position among nations.

4. The Eisenhower-Eden communique of February 1, 1956, issued in Washington, said the U.S. and U.K. were agreed that trade controls pertaining to the Far East "should continue and should be reviewed now and periodically as to their scope, in the light of changing conditions, so that they may best serve the interests of the free world...." Since then, reviews within the U.S. Government have resulted in no proposals acceptable to other countries. Meanwhile the U.K. and a number of other countries began making increased use of the existing CHINCOM "exceptions procedure," which permits shipments of certain embargoed items under unusual circumstances. (END UNCLASSIFIED)

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(SECRET) 5. After months of study and discussion, the U.S. Government on March 8, 1957 adopted a revised economic defense policy — subject, however, to discussion with appropriate members of Congress and a report to the President on these discussions. This policy basically reaffirms the existing East-West trade policy in most respects. The principal change relates to multilateral China controls. It was decided to seek to maintain effective international controls on trade with the Chinese Communists at a level above that on trade with the Soviet bloc in Europe. That is, it was decided to seek to obtain multilateral agreement to continue embargoing to Communist China all those items which now are on the "quantitative control" and "surveillance" COCOM lists, i.e., two of the strategic lists applicable to the European Soviet bloc. However, as to the Consolidated China Special List — which is a list of 207 additional items now embargoed to Communist China but not controlled in any way to the European Soviet bloc — it was decided to offer these items for decontrol except those items which can be justified as being sufficiently strategic to warrant their addition to one of the COCOM lists (with continued embargo to Communist China). The new policy also provides that the U.S. total embargo over its own trade with Communist China will not be changed. (END SECRET)

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(OFFICIAL USE ONLY) 6. The Bermuda talks of March 21-23 (Eisenhower-Macmillan and Dulles-Lloyd) took place before the Congressional discussions were completed. The British raised the China trade question. They were informed that the U.S. was studying the matter and saw some possibility of going a ways to meet the British viewpoint, and that we were not yet able to state a

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definite position. Secretary Dulles told this to correspondents in two background press conferences at Bermuda, and added certain other remarks on the general situation. The text of his background remarks was sent to certain posts (Circular Telegram 785, March 29, 1957) with permission to make it available to trustworthy reporters, not for attribution to the Secretary or the U.S. Government. (END OFFICIAL USE ONLY)

(UNCLASSIFIED) 7. On April 9, the discussions with appropriate members of Congress were completed. On the same day, Lincoln White, State Department press chief, told reporters in a public statement: "Now this meeting with Congressional leaders was to discuss with them some of the problems regarding multilateral controls on trade with Red China that had been raised by our allies. There was no discussion of the United States position which embargoes all trade between the United States and Communist China, which remains unchanged." This was the only official statement issued on the discussions.

8. On April 10, the President, at his regular news conference, was asked how the Administration feels about trading by our partners, Japan and Britain, with Communist China. The President replied that "there has been a great deal of talk about bringing more closely together the forbidden lists for Soviets and for China, many people maintaining that it is ridiculous to allow the Soviets, and you might say European Communist countries, to buy certain things and to bar those from China. So there has been a constant flow of staff work on that problem. We, as you know, just have an embargo; we don't deal with Communist China." Then the President spoke sympathetically about the trading problem of Japan and said the British problem is not greatly different. He concluded: "So we must approach these things with intelligence and with a regard for our own future long-range welfare as well as some immediate direction or some immediate advantage that we think we see." (END UNCLASSIFIED)

(CONFIDENTIAL) 9. On April 11, the President gave final approval to implementing the new U.S. position. A U.S. negotiating position is being formulated. Bilateral discussions with participating governments have begun, and a preliminary statement has been made in CHINCOM. The U.S. plans to introduce a proposal in CHINCOM sometime prior to May 7. It is impossible to predict when the CHINCOM discussions will be completed. Eventually there will probably be a CG meeting, but at present none has been set. (END CONFIDENTIAL)

II. U.S.

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II. U.S. POLICY

(UNCLASSIFIED) 10. Concerning trade with the Soviet bloc in Europe, the U.S. does not prohibit or object to peaceful trade, but aims only at preventing free-world exports from contributing to Soviet war-making ability. The U.S., as a defensive measure, maintains selective controls over key strategic items, and coordinates with other countries that do likewise. Concerning the China trade, the U.S. has a total embargo over its own exports and favors strong, effective multilateral controls. (END UNCLASSIFIED) (Classified information on this is in Part I.)

III. SPECIAL POLITICAL CONSIDERATIONS

(OFFICIAL USE ONLY) 11. The change of approach on multilateral China controls does not mean that the U.S. has taken a more favorable attitude toward the Chinese Communists. The change grows out of the urgent need of making adjustments in the multilateral control system so as to take account of the genuine economic and political problems of friendly trading nations. It grows out of the need to preserve an effective multilateral control system. PLEASE NOTE! Even though the U.S. has not publicly defined its new approach to multilateral trade controls, it should be possible to find opportunities to make clear that we are not changing our overall position toward Communist China. (END OFFICIAL USE ONLY)

(CONFIDENTIAL) 12. We should not assume that the differences that exist between the U.S. and its allies over the China trade now will be eliminated overnight. There may still be a long road ahead, with hard bargaining. We must try to avoid statements that would weaken the bargaining position of our delegation. It will not help at the bargaining table, for example, if we tip our hand prematurely in public, or make statements that the other delegations can use against our delegation. Also we should avoid pinpointing dates and places of bilateral and multilateral talks. (END CONFIDENTIAL)

IV. U.S. PUBLIC POSITION

(OFFICIAL USE ONLY) 13. The recent statements by the President and Lincoln White are available for public use, as well as other unclassified parts of this Policy Information Statement as necessary, and future official statements. Although the following is not prepared for formal issuance, it contains a number of things that U.S. personnel may say at their discretion in explaining U.S. policies:

(UNCLASSIFIED) 14. Our

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